



FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

49 CFR Parts 1121, 1150, and 1180

[Docket No. EP 714]

Information Required in Notices and Petitions Containing Interchange Commitments

AGENCY: Surface Transportation Board, DOT.

ACTION: Final rules.

SUMMARY: On November 1, 2012, the Board issued a Notice of Proposed Rulemaking (NPR) proposing rules that would establish additional disclosure requirements for notices and petitions for exemption where the underlying lease or line sale includes an interchange commitment. Based on the comments received and further evaluation, the Board now adopts as final the proposed rules, with modifications that reduce the amount of information required to be submitted. The final rules are set forth below.

DATES: *Effective date:* These rules will be effective on October 5, 2013.

FOR FURTHER INFORMATION CONTACT: Amy C. Ziehm at (202) 245-0391.

Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at (800) 877-8339.

SUPPLEMENTARY INFORMATION: The Board modifies its existing rules regarding notices and petitions for acquisition exemption in which an underlying sale or lease agreement includes an interchange commitment with the addition of certain filing requirements. Additional information is contained in the Board's decision served on September 5, 2013. To obtain a copy of this decision, visit the Board's Web site at

<http://www.stb.dot.gov>. Copies of the decision may also be purchased by contacting the Board's Office of Public Assistance, Governmental Affairs, and Compliance and (202) 245-0238.

PAPERWORK REDUCTION AND REGULATORY FLEXIBILITY

In the NPR, published in the Federal Register at 77 FR 66165 on November 2, 2012, the Board sought comments pursuant to the Paperwork Reduction Act (PRA), 44 U.S.C. 3501-3549, and Office of Management and Budget (OMB) regulations at 5 CFR 1320.11, regarding: (1) whether the collection of information as modified in the proposed rule and further described in Appendix B, is necessary for the proper performance of the functions of the Board, including whether the collection has practical utility; (2) the accuracy of the Board's burden estimates; (3) ways to enhance the quality, utility, and clarity of the information collected; and (4) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology, when appropriate. We received comments regarding the Board's burden estimates and have addressed them in the full decision.

The proposed rule modifications were submitted to OMB for review as required under the PRA, 44 U.S.C. 3507(d), and 5 CFR 1320.11. No substantive comments were received from OMB. Unless renewed, OMB approval for this collection expires August 31, 2014. The OMB control number is 2140-0016. The display of a currently valid OMB control number for this collection is required by law. Under the PRA and 5 CFR 1320.11, an agency may not conduct or sponsor, and a person is not required to respond

to, a collection of information unless the collection displays a currently valid OMB control number.

The Regulatory Flexibility Act of 1980 (RFA), 5 U.S.C. 601-612, generally requires a description and analysis of new rules that would have a significant economic impact on a substantial number of small entities. Under § 605(b), an agency is not required to perform an initial or final regulatory flexibility analysis if it certifies that the proposed or final rules will not have a “significant impact on a substantial number of small entities.” In accordance with § 605(b), we certify that the final rules will not have a significant economic impact on a substantial number of small entities.¹ The basis for this determination is as follows.

The regulations adopted here will affect all railroads filing notices and petitions for exemption for sales and leases that contain interchange commitments. The filing railroad (or respondent) is typically a small rail carrier. Between May 2008, when the Board began requiring the disclosure of interchange commitments in notices and petitions for exemption, and the date of this decision, a total of 12 notices or petitions for exemption for leases that contain interchange commitments were filed that would have been affected by these regulations, or 2.4 petitions per year. Nevertheless, in an abundance of caution, the Board estimates that a total of four small rail carriers, out of a total of approximately 560 small Class II and III rail carriers, will file such notices or

¹ The Small Business Administration’s (SBA) Office of Size Standards develops the numerical definition of a small business. See 13 CFR 121.201. The SBA has established a size standard for rail transportation, stating that a line-haul railroad is considered small if its number of employees is 1,500 or less, and that a short line railroad is considered small if its number of employees is 500 or less. Id. (industry subsector 482).

petitions per year, and thus will be affected by these additional reporting requirements. We further estimate that the additional time required by each rail carrier respondent to comply with these additional reporting requirements is no more than eight hours. Most of the information sought by the Board under these final rules is information that the filing railroad would likely already have as a result of due diligence it completed in the course of its contract negotiations. With respect to the requirement that the filer provide an estimate of the difference in the sale or lease price of the transaction with and without the interchange commitment, the Board seeks a good faith estimate to fulfill this requirement. If the filing railroad does not have an estimate of the difference in price as a result of contract negotiations, it can request that information in writing from the incumbent carrier and submit to the Board the incumbent carrier's response with its initial notice or petition. Therefore, the Board certifies under 5 U.S.C. 605(b) that these rules will not have a significant economic impact on a substantial number of small entities within the meaning of the RFA.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

List of Subjects

49 CFR Part 1121

Administrative practice and procedure, Railroads.

49 CFR Part 1150

Administrative practice and procedure, Railroads.

49 CFR Part 1180

Administrative practice and procedure, Railroads, Reporting and record keeping

requirements.

Decided: August 29, 2013.

By the Board, Chairman Elliott, Vice Chairman Begeman, and Commissioner Mulvey. Vice Chairman Begeman dissented with a separate expression.

VICE CHAIRMAN BEGEMAN, dissenting:

I did not object to the Board's Notice of Proposed Rulemaking when it was issued last November, because I believed the Board could benefit from hearing the views of interested parties on whether changes were needed to improve the Board's existing rules on interchange commitments. Unfortunately, the record fails to convince me that these new requirements offer meaningful improvements over the Board's existing rules, nor, importantly, that the usefulness of the additional information outweighs the extra reporting burdens being imposed on small businesses here. This is especially true since it remains unclear how the Board will even use the additional information, if at all. Therefore, I dissent from the Board's decision.

Jeffrey Herzig

Clearance Clerk

For the reasons set forth in the preamble, the Surface Transportation Board amends parts 1121, 1150, and 1180 of title 49, chapter X, of the Code of Federal Regulations as follows:

PART 1121 – RAIL EXEMPTION PROCEDURES

1. The authority citation for part 1121 continues to read as follows:

Authority: 49 U.S.C. 10502 and 10704.

2. Amend § 1121.3 by revising the paragraph heading to paragraph (d), paragraphs (d)(1) introductory text, and (d)(1)(ii), and by adding paragraphs (d)(1)(iii) through (viii) to read as follows:

§ 1121.3 Content.

* * * * *

(d) *Interchange Commitments.* (1) The filing party must certify whether or not a proposed acquisition or operation of a rail line involves a provision or agreement that may limit future interchange with a third-party connecting carrier, whether by outright prohibition, per-car penalty, adjustment in the purchase price or rental, positive economic inducement, or other means (“interchange commitment”). If such a provision exists, the following additional information must be provided (the information in paragraphs (d)(1)(ii), (iv), (vii) of this section may be filed with the Board under 49 CFR 1104.14(a) and will be kept confidential without need for the filing of an accompanying motion for a protective order under 49 CFR 1104.14(b)):

* * * * *

(ii) A confidential, complete version of the document(s) containing or addressing that provision or agreement;

(iii) A list of shippers that currently use or have used the line in question within the last two years;

(iv) The aggregate number of carloads those shippers specified in paragraph (d)(1)(iii) of this section originated or terminated (confidential);

(v) A certification that the filing party has provided notice of the proposed transaction and interchange commitment to the shippers identified in paragraph (d)(1)(iii) of this section;

(vi) A list of third party railroads that could physically interchange with the line sought to be acquired or leased;

(vii) An estimate of the difference between the sale or lease price with and without the interchange commitment (confidential);

(viii) A change in the case caption so that the existence of an interchange commitment is apparent from the case title.

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PART 1150 – CERTIFICATE TO CONSTRUCT, ACQUIRE, OR OPERATE RAILROAD LINES

3. The authority citation for part 1150 continues to read as follows:

Authority: 49 U.S.C. 721(a), 10502, 10901, and 10902.

4. Amend § 1150.33 by revising the paragraph heading to paragraph (h), paragraphs (h)(1) introductory text, and (h)(1)(ii), and by adding paragraphs (h)(1)(iii) through (viii) to read as follows:

§ 1150.33 Information to be contained in notice—transactions that involve creation of Class III carriers.

(h) *Interchange Commitments.* (1) The filing party must certify whether or not a proposed acquisition or operation of a rail line involves a provision or agreement that

may limit future interchange with a third-party connecting carrier, whether by outright prohibition, per-car penalty, adjustment in the purchase price or rental, positive economic inducement, or other means (“interchange commitment”). If such a provision exists, the following additional information must be provided (the information in paragraphs (h)(1)(ii), (iv), (vii) of this section may be filed with the Board under 49 CFR 1104.14(a) and will be kept confidential without need for the filing of an accompanying motion for a protective order under 49 CFR 1104.14(b)):

* * * * *

(ii) A confidential, complete version of the document(s) containing or addressing that provision or agreement;

(iii) A list of shippers that currently use or have used the line in question within the last two years;

(iv) The aggregate number of carloads those shippers specified in paragraph (h)(1)(iii) of this section originated or terminated (confidential);

(v) A certification that the filing party has provided notice of the proposed transaction and interchange commitment to the shippers identified in paragraph (h)(1)(iii) of this section;

(vi) A list of third party railroads that could physically interchange with the line sought to be acquired or leased;

(vii) An estimate of the difference between the sale or lease price with and without the interchange commitment (confidential);

(viii) A change in the case caption so that the existence of an interchange commitment is apparent from the case title.

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5. Amend § 1150.43 by revising the paragraph heading to paragraph (h), paragraphs (h)(1) introductory text, and (h)(1)(ii), and by adding paragraphs (h)(1)(iii) through (viii) to read as follows:

§ 1150.43 Information to be contained in notice for small line acquisitions.

(h) *Interchange Commitments.* (1) The filing party must certify whether or not a proposed acquisition or operation of a rail line involves a provision or agreement that may limit future interchange with a third-party connecting carrier, whether by outright prohibition, per-car penalty, adjustment in the purchase price or rental, positive economic inducement, or other means (“interchange commitment”). If such a provision exists, the following additional information must be provided (the information in paragraphs (h)(1)(ii), (iv), (vii) of this section may be filed with the Board under 49 CFR 1104.14(a) and will be kept confidential without need for the filing of an accompanying motion for a protective order under 49 CFR 1104.14(b)):

* * * * *

(ii) A confidential, complete version of the document(s) containing or addressing that provision or agreement;

(iii) A list of shippers that currently use or have used the line in question within the last two years;

(iv) The aggregate number of carloads those shippers specified in paragraph (h)(1)(iii) of this section originated or terminated (confidential);

(v) A certification that the filing party has provided notice of the proposed transaction and interchange commitment to the shippers identified in paragraph (h)(1)(iii) of this section;

(vi) A list of third party railroads that could physically interchange with the line sought to be acquired or leased;

(vii) An estimate of the difference between the sale or lease price with and without the interchange commitment (confidential);

(viii) A change in the case caption so that the existence of an interchange commitment is apparent from the case title.

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**PART 1180 – RAILROAD ACQUISITION, CONTROL, MERGER,
CONSOLIDATION PROJECT, TRACKAGE RIGHTS, AND LEASE
PROCEDURES**

6. The authority citation for part 1180 continues to read as follows:

Authority: 5 U.S.C. 553 and 559; 11 U.S.C. 1172; 49 U.S.C. 721, 10502, 11323-11325.

7. Amend § 1180.4 by revising the paragraph heading to (g)(4) paragraphs (g)(4)(i) introductory text, and (g)(4)(i)(B), and by adding paragraphs (g)(4)(i)(C) through (H) to read as follows:

§ 1180.4 Procedures.

(g) * * *

(4) *Transactions imposing interchange commitments.*

(i) If a proposed acquisition or operation of a rail line involves a provision or agreement that may limit future interchange with a third-party connecting carrier, whether by outright prohibition, per-car penalty, adjustment in the purchase price or rental, positive economic inducement, or other means (“interchange commitment”), the following additional information must be provided (the information in paragraphs (g)(4)(i)(B), (D), (G) of this section may be filed with the Board under 49 CFR 1104.14(a) and will be kept confidential without need for the filing of an accompanying motion for a protective order under 49 CFR 1104.14(b)):

* * * * *

(B) A confidential, complete version of the document(s) containing or addressing that provision or agreement;

(C) A list of shippers that currently use or have used the line in question within the last two years;

(D) The aggregate number of carloads those shippers specified in paragraph (g)(4)(i)(C) of this section originated or terminated (confidential);

(E) A certification that the filing party has provided notice of the proposed transaction and interchange commitment to the shippers identified in paragraph (g)(4)(i)(C) of this section;

(F) A list of third party railroads that could physically interchange with the line sought to be acquired or leased;

(G) An estimate of the difference between the sale or lease price with and without the interchange commitment (confidential);

(H) A change in the case caption so that the existence of an interchange commitment is apparent from the case title.

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